Issue 143
November 16-20, 2009

BYBLOS BANK SAL
Economic Research & Analysis Department

LEBANON THIS WEEK

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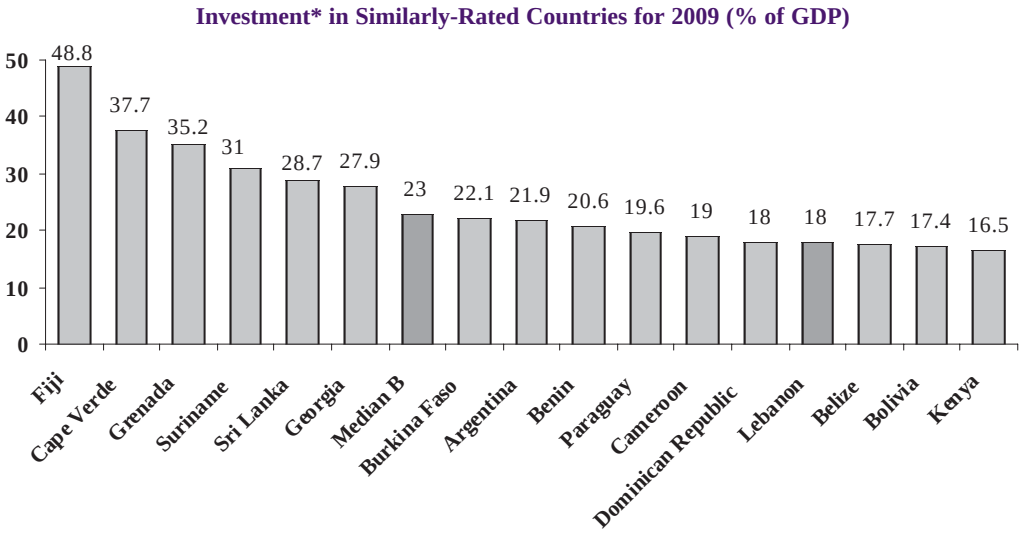
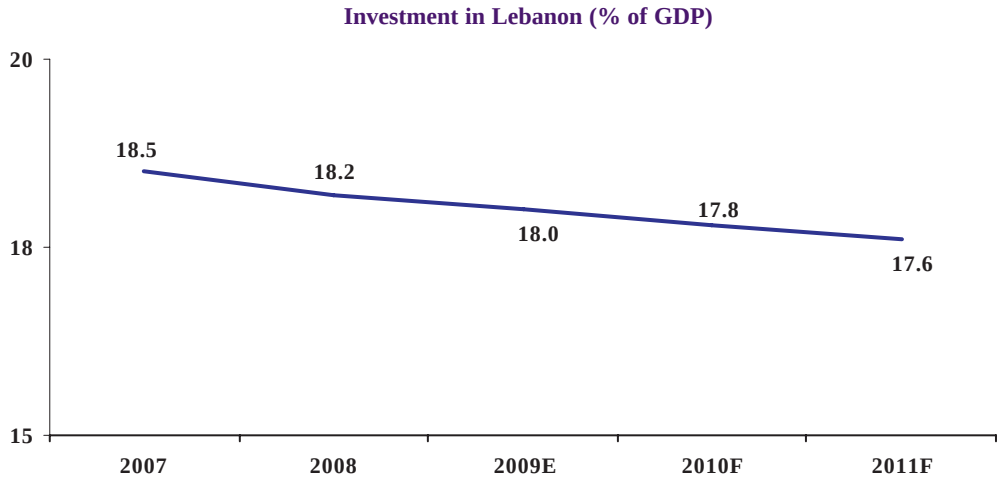




**Expenditures on capital goods including plant, equipment and housing, plus the change in inventories-nvestment plus the current account balance, as a percentage of GDP*
Source: Standard & Poor's

Quote to Note

"The advent of the new government is not likely to herald any major changes in economic policy or performance."

The Economist Intelligence Unit, on the general skepticism that the new Cabinet will be able to reach consensus on key structural reforms

Number of the Week

69: Number of reforms-related draft laws waiting to be ratified by Parliament

Economic Indicators

$m *(unless otherwise mentioned)*	**2007**	**Sep 08**	**2008**	**July 09**	**Aug 09**	**Sep 09**	**% Change***
Exports	2,816	307	3,478	230	239	298	(2.93)
Imports	11,815	1,470	16,133	1,470	1,439	1,250	(14.97)
Trade Balance	(8,999)	(1,163)	(12,655)	(1,240)	(1,200)	(952)	(18.14)
Balance of Payments	2,036	200	3,462	1,246	1,020	475	137.50
Checks Cleared in LBP	8,409	757	9,350	1,028	937	900	18.89
Checks Cleared in FC	29,893	4,062	43,174	4,115	4,233	3,882	(4.43)
Total Checks Cleared	38,302	4,819	52,524	5,143	5,170	4,782	(0.77)
Budget Deficit/Surplus	(2,546)	(319)	(2,921)	(157)	(127)	(381)	19.43
Primary Balance	731	33	597	136	122	47	42.42
Airport Passengers	3,408,834	365,205	4,085,334	621,522	612,956	463,919	27.03
$bn *(unless otherwise mentioned)*	**Dec 2007**	**Sep 2008**	**Dec 2008**	**July 09**	**Aug 09**	**Sep 09**	**% Change***
BdL FX Reserves	9.78	15.32	17.06	22.01	22.82	23.21	51.50
In months of Imports	*9.19*	*10.43*	*15.03*	*14.97*	*15.86*	*18.57*	*78.04*
Public Debt	42.03	45.64	47.02	47.92	48.52	49.18	7.76
Net Public Debt	39.03	40.89	41.49	43.05	43.24	43.61	6.65
Bank Assets	82.26	91.74	94.25	105.38	107.37	109.90	19.80
Bank Deposits (Private Sector)	67.29	75.13	77.78	87.69	89.30	91.19	21.38
Bank Loans to Private Sector	20.42	24.79	25.04	26.98	27.11	27.89	12.50
Money Supply M2	16.47	22.13	24.76	30.11	30.91	31.57	42.66
Money Supply M3	59.83	66.45	68.66	76.17	77.22	78.73	18.48
LBP Lending Rate (%)	10.10	9.98	9.95	9.43	9.27	9.22	(76b.p.)
LBP Deposit Rate (%)	7.40	7.18	7.22	7.02	7.00	6.94	(24b.p.)
USD Lending Rate (%)	8.02	7.37	7.47	7.24	7.05	7.24	(13b.p.)
USD Deposit Rate (%)	4.69	3.57	3.33	3.19	3.18	3.16	(41b.p.)
%* Change in CPI**	5.92	11.76	6.36	2.42	1.52	1.99	(977b.p.)

** Year-on-Year; ** Consumer Price Index*
Note: b.p. i.e. basis point
Sources: ABL, BdL

Capital Markets

Most Traded Stocks on BSE	Last Price ($)	% Change*	Total Volume	Weight in Market Capitalization
Solidere "A"	26.13	2.55	303,120	20.54%
Solidere "B"	25.97	2.85	97,296	13.27%
Byblos Common	2.03	1.00	52,219	3.46%
Byblos Priority	2.04	0.99	82,994	3.30%
Byblos Pref. 08	100.10	0.10	1,300	1.57%
BLOM GDR	88.50	(0.39)	6,440	5.14%
BLOM Listed	82.50	(2.94)	2,775	13.94%
Audi GDR	83.70	(1.06)	9,180	6.47%
Audi Listed	75.00	0.00	8,180	20.29%
HOLCIM	13.00	(0.15)	50	1.99%

*Source: Beirut Stock Exchange (BSE); *Week-on-week*

Sovereign Eurobonds	Coupon %	Mid Price $	Mid Yield %
Mar. 2010	7.125	101.44	2.23
May 2011	7.875	106.25	3.56
Mar. 2012	7.500	107.13	4.25
Sep. 2012	7.750	108.38	4.55
June 2013	8.625	111.38	5.14
Apr. 2015	10.000	117.00	6.26
Jan. 2016	8.500	111.25	6.27
May 2016	11.625	126.25	6.58
Mar. 2017	9.000	115.25	6.36
Apr. 2021	8.250	111.13	6.83

Source: Byblos Capital Markets

	This Week	Last Week	% Change	October 2009	October 2008	% Change
Total Shares Traded	637,376	1,780,207	(64.20)	4,968,999	14,251,997	(65.13)
Total Value Traded	$13,949,733	$46,991,002	(70.26)	$103,486,832	$129,604,201	(20.15)
Market Capitalization	$12.72bn	$12.43bn	2.36	$12.60bn	$11.69bn	7.77

Source: Beirut Stock Exchange (BSE)

Lebanon ranks second in Arab world in economic freedom

The Fraser Institute's annual Index of Economic Freedom in the Arab World ranked Lebanon in second place in 2009 among 15 countries included in thee survey, up from 5th place in 2008 and 4th place in 2007. The index measures the degree of economic freedom in each country on the basis of 18 variables that are divided into five broad factors of economic freedom. The factors measure the size of government, legal structure and security of property rights, access to sound money, freedom to trade internationally, and the regulation of credit, labor and business. Lebanon received a score of 7.8 points on a scale of 1 to 10, up from 7.6 in 2008 and 7.7 in 2007 and 2006, and higher than the Arab average of 7.1 points.

Lebanon ranked first on the Size of Government category, the fourth year in a row that Lebanon tops the region in terms of the small size of the government relative to its economy. Also, Lebanon ranked in first place on the Access to Sound Money category, which measures the extent that a nation's currency is sound and holds its value over time. It ranked second in the region on the Access to Sound Money in 2008 and first in the category in 2007 and 2006.

In parallel, Lebanon tied with Djibouti and Egypt, came behind Comoros and ahead of Libya on the Legal Structure & Security of Property Rights category. This area examines whether laws, primarily dealing with economic matters, are fairly and transparently applied in a timely manner, and whether property rights and contracting are protected by the rule of law.

Also, Lebanon ranked behind Saudi Arabia and ahead of Sudan on the Freedom to Trade Internationally category, which measures the extent to which businesses and individuals can freely trade with their counterparts in other nations. It came in 11th place in each of 2009 and 2008 and in 10th place in 2007. Further, Lebanon tied with Oman and Saudi Arabia, came behind Bahrain and ahead of Kuwait in terms of Regulation of Credit, Labor and Business. This category measures the extent to which the regulatory burden hinders the formation or advancement of businesses, the free movement of labor, and ability to obtain or advance credit.

The Fraser Institute is a Canada-based independent research organization whose mission is to study and measure the impact of competitive markets and government intervention on the welfare of individuals.

Index of Arab Economic Freedom in 2009

Country	Score	Rank
Bahrain	7.9	1
Lebanon	**7.8**	**2**
Kuwait	7.8	2
Oman	7.7	4
Jordan	7.6	5
Qatar	7.6	5
Saudi Arabia	7.4	7
UAE	7.3	8
Yemen	7.2	9
Egypt	7.0	10
Morocco	6.6	11
Mauritania	6.4	12
Tunisia	6.4	12
Syria	5.8	14
Algeria	5.7	15

Source: Fraser Institute, Byblos Research

Lebanon's Rankings & Scores by Category

Category	Rank	Score
Size of Government	1	8.6
Access to Sound Money	1	9.3
Regulation of Credit, Labor & Business	2	7.9
Freedom to Trade Internationally	11	6.8
Legal Structure & Security of Property Rights	13	6.1

Source: Fraser Institute, Byblos Research

Fiscal deficit revised downward on strong revenues

Regional investment bank EFG Hermes maintained its growth forecast for the Lebanese economy at 6% for 2009 and 4% for 2010. It noted that a strong year for tourism and relative stability in remittance inflows are supporting private consumption growth in 2009, while a solid banking sector and the rebound in oil prices since the beginning of the year are supporting deposit growth. It said the delay in the formation of a government following the June parliamentary elections limits the government's ability to issue new external debt, as it requires new legislation. It noted, however, that buoyant economic activity and lower energy prices have reduced the public sector's borrowing requirement in 2009. It stated that rapid capital inflows and a record tourism season are supporting higher domestic demand and import growth, therefore generating higher tax receipts. In addition, lower oil prices have led to savings on transfers to Electricité du Liban, which relies on imported fuel oil to generate its electricity. It added that lower oil prices have also meant a small revenue gain for the government, as the latter lifted a price cap on the retail price of gasoline in January and has received gasoline excise taxes since then. Further, Lebanon has started receiving Egyptian natural gas, a move that will allow for annual savings of about $240m, or 0.8% of GDP in electricity subsidies based on an oil price of $75 per barrel.

As a result, EFG Hermes forecast a fiscal deficit of 9.6% of GDP in 2009 and 9.1% of GDP in 2010, down from an earlier projection of 11.8% of GDP in 2009 and 10.3% in 2010. It also projected the inflation rate at 3% at the end of 2009 and at end-2010. It forecast the annual growth of broad money at 12.3% in 2009 and 8.4% in 2010, and expected private-sector lending to grow by 15% in 2009 and 12% in 2010. It also projected the external debt to decline to 67.6% of GDP by end-2009 and to 64% of GDP by end-2010, and for the domestic debt to reach 89% of GDP at the end of this year and 92.3% of GDP by the end of 2010.

Lebanon ranks 130th globally, 14th among Arab countries on corruption index

Transparency International's 2009 Corruption Perceptions Index (CPI) ranked Lebanon in 130th place among 180 countries around the world and in 14th place among 20 Arab countries. Lebanon came in 102nd place globally and in 11th place among Arab countries in the 2008 survey. Lebanon also came in 28th place among 32 upper-middle income countries (UMICs) included in the survey. The CPI is a composite index that uses surveys of business people and assessments by country analysts that reflect perceptions of the degree of corruption in each country. The rankings are based on scores that range between 10, representing countries with a clean reputation, and zero, reflecting economies perceived as highly corrupt.

CPI Arab Rankings & Scores

Country	Score	Arab Rank	Global Rank
Qatar	7.0	1	22
UAE	6.5	2	30
Oman	5.5	3	39
Bahrain	5.1	4	46
Jordan	5.0	5	49
Saudi Arabia	4.3	6	63
Tunisia	4.2	7	65
Kuwait	4.1	8	66
Morocco	3.3	9	89
Algeria	2.8	10	111
Djibouti	2.8	11	111
Egypt	2.8	12	111
Syria	2.6	13	126
Lebanon	**2.5**	**14**	**130**
Libya	2.5	15	130
Mauritania	2.5	16	130
Yemen	2.1	17	154
Iraq	1.5	18	176
Sudan	1.5	19	176
Somalia	1.1	20	180

Source: Transparency International

Globally, Lebanon tied with Honduras, Libya, Maldives, Mauritania, Mozambique, Nicaragua, Nigeria and Uganda. It ranked ahead of Bangladesh, Belarus, Pakistan and The Philippines and came behind Eritrea, Guyana, and Tanzania. It also ranked ahead of Russia and Venezuela, and came behind Gabon and Argentine among UMICs. Lebanon received a score of 2.5 points, compared to 3 points in the previous survey. Its score came below the global average of 4 points and the UMICs average of 4.5 points, as well as below the Arab average of 3.5 points. Lebanon's score declined significantly in 2009 and reached 2.5 compared to a score of 3 in the two previous years. Lebanon's score declined by 16.7% from 2008, posting the steepest decline among Arab countries, while it regressed by 28 spots in the rankings, also the biggest drop in the region. Transparency International said Lebanon's score for 2009 is its lowest since the country's inclusion in the index. It attributed the decline to the deterioration of political and security conditions since 2005 and to the absence of legal mechanisms that promote transparency in different sectors. Corruption perception remained broadly unchanged in the region, as the Arab countries' average score stayed the same year-on-year. The scores of 6 Arab countries improved, 2 were unchanged and 12 regressed, while the rankings of 7 countries improved, 12 regressed and one was unchanged. New Zealand was perceived as the least corrupt country globally, while Somalia was considered the most corrupt country in the world.

Launch of code of ethics for SMEs in Lebanon

The Lebanon Anti-Bribery Network, along with the Lebanese Transparency Association and the Center for International Private Enterprise, launched the Code of Ethics for small- and medium-size enterprises (SMEs) in Lebanon. It said the code aims to assist Lebanese SMEs in their efforts to apply ethical standards within the organization, and includes a mechanism for applying and enforcing the measures it contains. LABN noted that Lebanon's SMEs are increasingly expanding and participating in the global marketplace. As such, it noted that better standards of business ethics will continue to become an important factor in the way SMEs operate and in their ability to attract domestic and foreign capital. Further, improved standards of business ethics play a key role in increasing the levels of transparency, integrity and good governance at SMEs. It indicated that the aim of the code is to raise awareness about the importance and benefits of business ethics for the individual firm as well as for the broader economy. It added that the code would help ensure that a company's activities are in compliance with applicable laws and regulations, and would help articulate a broad set of ethical standards that can be used as a practical guide in the conduct of the employees and in decision-making, therefore improving the long-term performance of the firm.

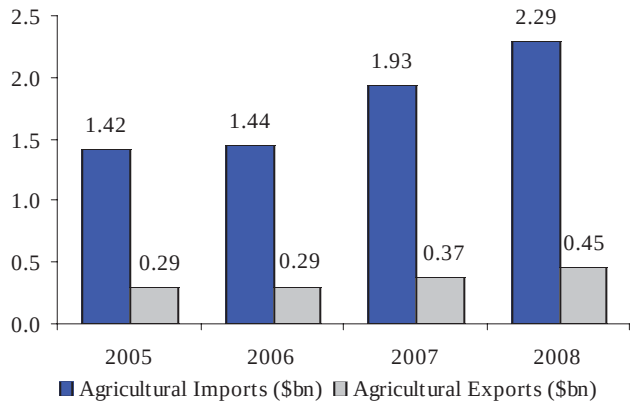
Cleared checks up 4% to $46bn in first 10 months of 2009

The value of cleared checks totaled $46bn in the first 10 months of 2009, constituting an increase of 4% from to the same period last year. The value of cleared checks in Lebanese pounds rose by 18.8% to the equivalent of $9.2bn, while the value of cleared checks in U.S. dollar increased by 0.9% to $36.8bn. The dollarization rate of cleared checks decreased from 82.5% to 80% year-on-year.

Lebanon's WTO accession to have minimal impact on agriculture

The Ministry of Economy & Trade indicated that the reduction of tariffs on vegetable imports, as part of Lebanon's accession to the World Trade Organization, would have minimal impact on either Lebanese producers or consumers, as most of these imports already come from countries that are subject to very low or no customs duties. It added that the impact on fruit imports may be different, as reduced tariffs on fruits may result in lower prices for consumers and agro-industrial firms. It attributed the expected low impact to the fact that Lebanon has already reduced tariffs unilaterally in 2000 and 2003, and then completely liberalized its trade with Arab countries starting in 2005 as part of the Greater Arab Free Trade Agreement (GAFTA). As such, the simple average tariff on agricultural goods declined from 28% in 2000 to 10% in 2007. Also, Lebanon's Association Agreement with the European Union and its free trade agreement with the European Free Trade Association (EFTA) came into effect in 2008, leading to a gradual reduction in the simple average agriculture tariff rate to about 16% by 2012 from 21% in 2008.

Agricultural Imports & Exports ($bn)



Source: Lebanese Customs; Byblos Research

It said that approximately 51% of fruit and 83% of vegetable imports are from Arab and European countries with which Lebanon has a free trade agreement, while nearly all exports of vegetables (98%) and fruits (99%) go to GAFTA countries. It added that Lebanon maintains high tariffs, known as "peak tariffs", on approximately 49 vegetable products that are subject to an average ad valorem rate of 48%, and imposes an average tariff rate of 59% on 38 fruit products. It said Lebanon imported 66% of peak tariff vegetable products from Arab and European countries in 2008, and 64% of peak tariff fruit imports from countries with which Lebanon did not have a free trade agreement. It considered that Lebanon's accession to the WTO might result in tariff reduction for these products, with imports from non-free trade countries likely to become cheaper and consequently may increase.

Further, a study by Booz & Co found that any potential declining production in the Lebanese agro-industrial sector from lower tariffs is likely to have less of an impact on primary producers than would be the case in many other countries. It said that primary agriculture in Lebanon is not highly dependent on agro-industry as an outlet for production, and could easily transition to sell on the local fresh markets in the case of an external shock. Also, it noted that much of the processed foods made in Lebanon, including those from Lebanese inputs, are exported and would not be significantly affected by a drop in inbound tariffs.

Lebanon ranks 59th globally, 6th in MENA region in medium & high technology exports relative to manufactured exports

The United Nations Industrial Organization (UNIDO) ranked Lebanon in 59th place among 122 countries worldwide and in 6th place among 14 countries in the Middle East and North Africa region in terms of medium & high technology exports as a share of its manufactured exports. Lebanon came in 14th place among 25 upper middle income countries (UMICs) included in the survey. Globally, Lebanon ranked ahead of New Zealand, Bulgaria and Bosnia & Herzegovina, and came behind Australia, Senegal and Indonesia. Also, Lebanon ranked ahead of St. Lucia and Russia, and behind Argentina and Romania among UMICs. Lebanon's exports of medium & high technology accounted for 29.8% of its manufactured exports, below the global and UMICs averages of 33.4% and 36.8%, respectively, but above the MENA average of 26%. Japan achieved the highest share of medium/high technology exports in manufactured exports in the world, while Sudan achieved the lowest one globally.

Also, Lebanon ranked in 100th place globally and in 10th place regionally in terms of its share of medium/high technology production in manufacturing value added. Also, Lebanon came in 22nd place among 25 UMICs. Globally, Lebanon ranked ahead of Honduras, Benin and Moldova, and came behind Uganda, Eritrea and Ecuador. Also, Lebanon ranked ahead of Mauritius and Gabon and behind Panama and St. Lucia among UMICs. Lebanon's share of medium/high technology in manufacturing value added reached 10.8%, below the global average of 25.6% and lower than the MENA and UMICs' averages of 23.5% and 22.2%, respectively.

Share of medium/high-technology exports in manufactured exports (%)

Country	Share (%)	MENA Rank	Global Rank
Qatar	63.0	1	17
Oman	38.7	2	46
Israel	38.6	3	48
Jordan	37.4	4	49
Tunisia	31.5	5	56
Lebanon	**29.8**	**6**	**59**
Morocco	27.6	7	63
Saudi Arabia	27.5	8	64
Iran	26.3	9	68
Syria	16.4	10	86
Kuwait	14.1	11	89
Egypt	11.7	12	93
Algeria	1.8	13	119
Sudan	0.1	14	122

Source: UNIDO, Byblos Research

Lebanon in the News

Number of tourists up 46.3% in first 9 months of 2009

The number of incoming tourists to Lebanon totaled 1,438,619 in the first 9 months of 2009, constituting an increase of 46.3% from 983,585 tourists in the same period last year. Arab tourists accounted for 42.4% of total visitors and were followed by visitors from Europe with 24.1%, Asia with 14.1%, America with 13.1%, Oceania with 3.5% and Africa with 2.2%. The number of tourists reached 153,674 in September 2009, constituting an increase of 57% from 97,856 in September 2008. Arabs accounted for 44.5% of total visitors in September 2009, followed by Europeans with 24.1% of total, American continent visitors with 12.5%, visitors from Asia with 11.8%, visitors from Oceania with 4% and Africa continent visitors with 3%.

Most tourism spending year-to-October originates from Saudi Arabia

According to Global Refund, the cash refund operator for international shoppers, tourists from Saudi Arabia spent the most in Lebanon over the first 10 months of 2009, equivalent to 22% of total tourist spending, followed by tourists from Kuwait (12%), UAE (12%), Egypt (7%) and Syria (6%). Beirut attracted 80% of total spending over the covered period, followed by the Metn area with 15%, the Keserwan region with 3% and the Baabda area with 1%. Fashion & clothing accounted for 67% of total spending, followed by watches with 11%, home & garden with 5%, department stores with 5%, perfume & cosmetics with 4%, souvenirs & gifts with 3%, consumer electronics & household appliances with 2%, and electronics & IT with 1%.

Beirut port revenues up 26% to $135m in first 10 months of 2009

Figures released by the Port of Beirut Authority show that port revenues totaled $135.3m in the first 10 months of 2009, constituting an increase of 26.1% from the same period last year. Freight activity reached 5.3 million tons in the first 10 months of 2009, up 9% from the same period of 2008. The number of ships reached 2,002, up 17.3% from a year earlier. Also, the port's revenues reached $14.5m in October 2009, up 16.1% from the previous month. Further, freight activity decreased by 6.7% to 491 thousand tons, while the number of ships decreased by 5% to 190 ships in October 2009 from the previous month.

Construction permits up 9.5% in first 9 months of 2009

Figures released by the Association of Engineers of Beirut & Tripoli show that construction permits reached 9.11 million square meters in the first 9 months of 2009, up 9.5% from 8.32 million square meters in the same period last year. Construction permits totaled 1,410,432 square meters in September 2009, up 3.2% from 1,366,627 square meters in September 2008. In parallel, cement deliveries reached 3.68 million tons in the first 9 months of the year, an increase of 17.9% from 3.12 million tons in the same period of 2008. Cement deliveries were driven by local demand in the construction sector and by exports. Cement deliveries decreased by 3.9% year-on-year to 330,926 tons in September 2009.

Byblos Bank 2009 Preferred Shares listed on Beirut Stock Exchange

The Beirut Stock Exchange (BSE) approved the listing, trading and pricing of Byblos Bank's 2,000,000 Series 2009 Preferred Shares. In addition, the BSE took note of the increase of the par value of all Byblos Bank's shares to $0.8 per share. The Extraordinary General Assembly of Byblos Bank sal held on August 1, 2009 approved the decision of the Board on Directors to redeem the Series 2003 Preferred Shares, the distribution of the nominal value of the cancelled shares to the other shares and the capital increase of $2m, appropriating this amount from the capital reserves account. The nominal value of each share became $0.8. In addition, the Extraordinary General Assembly decided to increase the capital of the Bank by $1.6m through the issuance of two million Series 2009 Preferred Shares at a nominal value of LBP 1,210, therefore raising the Bank's capital to $342.8m. As a result, the Bank's capital is distributed between 217,112,557 Common Shares ($174.3m), two million Series 2008 Preferred Shares ($1.6m), Series 2009 Preferred Shares (1.6m), and 206,023,723 Priority Shares ($165.4m). Byblos Bank sal, one of Lebanon's top 3 banks, posted net profits of $95.9m in the first 9 months of 2009, up 21.3% from the same period last year. It had total assets of $13.04bn, loans of $2.94bn and aggregate deposits of $9.82bn at end-September 2009. The Byblos Bank Group operates in Iraq, Syria, the United Arab Emirates, Sudan, Nigeria and Armenia, as well as in Belgium, France, the United Kingdom and Cyprus.

Kafalat loan guarantees at $114m in first 10 months of 2009

Figures released by the Kafalat Corporation show that loans extended to small- and medium-size companies under the guarantee of Kafalat reached $113.9m in the first 10 months of 2009, up 6.3% from $107.1m in the same period last year. The number of loan guarantees totaled 852 in the first 10 months of 2009 compared to 777 in the same period last year. The average loan size reached $133,638 compared to $137,828 in the first 10 months of 2008. Mount Lebanon accounted for 46.2% of guarantees, followed the South & Nabatieh with 19.5%, the Bekaa with 14.8%, the North with 13.7% and Beirut with 5.8%. The agriculture sector accounted for 43.3% of total guarantees, followed by industries with 38.6%, tourism with 12.9%, and handicraft with 2.8%. Kafalat is a state-sponsored organization that provides financial guarantees for loans up to $400,000 earmarked for the set up and expansion of small and medium-size companies in productive sectors. It guarantees up to 75% of the loan amount and a similar percentage of the interest that accrues during the grace period.

Car sales down 2.5% in first 10 months of 2009

Figures released by the Association of Automobile Importers in Lebanon indicate that a total of 26,664 new passenger cars were sold during the first 10 months of 2009, constituting a decrease of 2.5% from the 27,341 cars sold in the same period of 2008. Japanese cars accounted for 48% of total sales, followed by European vehicles with 25.8% of sales, Korean automobiles with a 17.9% market share, American cars with 7.3% and Chinese cars with 1%. Chinese car posted the biggest growth rate in sales with a 468.9% jump year-on-year, followed by Japanese cars with a 1.2% increase. American cars posted a 16.4% decrease year-on-year, followed by Korean cars with a 10.5% decrease and European cars with a 0.8% decrease. Nissan is the leading brand in the Lebanese market with 5,638 cars sold in the first 10 months of 2009, followed by Toyota with 4,046 cars sold, Kia with 2,883, Hyundai with 1,884, Peugeot with 1,335 and Renault with 1,299 cars. The number of new passenger cars sold reached 2,422 in October 2009, constituting a decrease of 31.5% from 3,537 in October 2008.

BLC Bank's profits up 50% to $25.6m in first 9 months of 2009

BLC Bank sal, one of Lebanon's listed banks, announced net profits of $25.6m in the first 9 months of 2009, up 49.5% from the same period last year. Net interest income rose by 22.2% to $38.8m while net fee & commission receipts increased by 76.4% to $7.6m and net interest gains on trading portfolio rose by 50.1% to $2.5m in the first 9 months of 2009 compared to the same period of 2008. Total expenses increased by 18.6% to $28.2m and staff costs rose by 28.3% to $17.7m. Total assets reached $2.41bn at end-September 2009, constituting a 22.3% rise from end-2008, while loans & advances to customers increased by 53% to reach $421.5m. The bank held $49.9m in assets acquired in satisfaction of loans at end-September 2009. Customers' deposits rose by 21.8% from end-2008 to $2.11bn at end-September. Shareholders' equity increased by 33.3% to $209.4m in the first 9 months of 2009. In parallel, the bank's ordinary general assembly approved the distribution of LBP13.1bn or $8.7m in dividends for 2008, equivalent to LBP86 ($0.06) per share. BLC Bank is part of the Fransabank Group.

Uniceramic de-listed from Beirut Stock Exchange

The Beirut Stock Exchange de-listed tile-maker Uniceramic sal from the bourse on November 18, 2009. The bourse already suspended the trading and pricing of Uniceramic's 'Nominal A' shares and the firm's 'Bearer C' shares listed on the bourse's junior market on September 18, 2009. Thee measures followed the decision taken by the Extraordinary General Assembly of Uniceramic sal held on August 25, 2009 to declare the company bankrupt and unable to pay its debts. Uniceramic sal posted net losses of $3.8m in 2008 compared to losses of $5.4m in 2007, and $3.2m in 2006. The company's net sales reached $7.7m last year, constituting a decrease of 62.9% from $20.7m in 2007. Uniceramic's total assets decreased by 19.2% to $33m in 2008 and its equity decreased by 20.3% to $14.8m in 2008. Last November, Uniceramic announced it is shutting down its operations in Lebanon and laying off its remaining 200 employees. The decision came after the firm's inability to finance its new strategy that was approved by its general assembly in August 2008. In 2007, Uniceramic established a joint venture with the Bahrain-based Swicorp Intaj Capital, named Uniceramic Holding, to build production plants in Algeria and Qatar and diversify its markets. Uniceramic was listed on the Beirut Stock Exchange since May 1996.

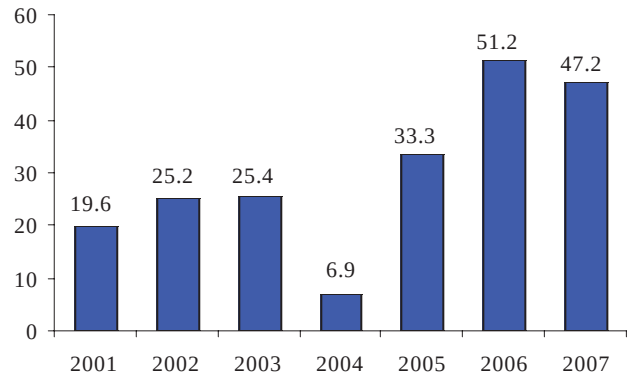
Insurance sector's profits at $47.2m in 2007, health and motor categories struggling

Figures issued by the Insurance Control Commission (ICC) indicate that the insurance sector in Lebanon posted net profits of $47.2m in 2007, down from $51.2m in 2006, but up from $33.2m in 2005 and $19.6m in 2001. The Life branch generated $36m in profits, while the Unit-Linked category posted losses of $1.2m. In the non-life segments, the Fire category generated profits of $6.1m, followed by Compulsory Motor with $4.7m, Accidents with $4.4m, Transportation with $4.3m, Health with $1.7m, Civil Liabilities with $1m, Credit with $0.5m, and Engineering with $0.44m, while other miscellaneous categories generated profits of $3.4m. In parallel, Non-Compulsory Motor insurance posted losses of $14.5m. The figures are part of the first report issued by the ICC on the Lebanese insurance sector and shed much-needed light on the sector's performance and financial health.

The ICC indicated that the sector's consolidated assets reached $1.9bn at end-2007 relative to $1.6bn in the previous year and $795.5m in 2001. Further, written premiums totaled $776.3m in 2007, up from $662m in 2006 and $630m in 2005. Non-life premiums accounted for 64.8% of total premiums in 2007. It added that total claims paid reached $320m and ceded premiums reached $146m in 2007. Also, total technical reserves reached $1.15bn, of which $1bn in unearned premium reserves and $134m in outstanding claims reserves. Further, the aggregate owners' equity of insurance firms totaled $448.7m in 2007, up from $373.2m in 2006 and $$318.8m in 2005. The ICC said there were 54 licensed insurance firms operating in Lebanon in 2007, including 31 insurers that offer life and non-life services, 18 non-life insurers, and five firms that offer life insurance only. It noted that 6 insurers have equity above $20m each, 8 firms have equity between $10m and $20m, the equity of 11 insurers falls between $5m and $10m, while 21 insurers have equity ranging from $1.5m and $5m, and the equity of 8 firms is below $1.5m. It added that the sector's solvency ratio is at 58%.

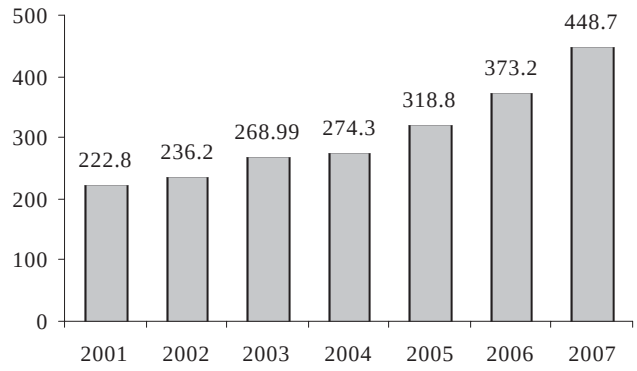
Further, the ICC's figures show that the sector's earned gross premiums totaled $598m and investments returns reached $70.3m in 2007, while claims incurred reached $325.2m, commissions or acquisitions costs totaled $112.2m, reinsurance costs were $49m, and other general expenses amounted to $123.2m. In parallel, the sector's loss ratio, or the ratio of claims incurred to earned gross premiums, was -54% in 2007. Heath and Non-Compulsory Motor had the highest loss ratios at-75% and -65%, respectively, in the non-life segment, while the Unit-Linked segment posted a loss ratio of -93% in the covered year. Further, the sector's financial income ratio, or the investment results relative to earned gross premiums, was 12% in 2007, with the ratios of the Unit-Linked and Life categories at 83% and 23%, respectively. The sector's combined ratio, which aggregates the Loss, Commission, Re-insurance and Expense ratios reached -102% in 2007, with the combined ratio for the Unit Linked at -180%, Non-Compulsory Motor at -120%, Health at -102%, and Engineering at -97%.

Net Profits ($m)



Source: Insurance Control Commission

Shareholders' Equity ($m)



Source: Insurance Control Commission

Relevant Ratios for 2007	
Loss Ratio	-54%
Comission Ratio	-19%
Re-Insurance Ratio	-8%
Expense Ratio	-21%
Net Accounting Ratio	-63%
Combined Ratio	-102%
Financial Income Ratio	12%

Source: Insurance Control Commission

Ratio Highlights

(in % unless specified)	2006	2007	2008	Change*
Nominal GDP*(1)* ($bn)	22.7	24.6	28.8	
External Debt / GDP	89.9	86.4	73.4	(1,300)
Local Debt / GDP	88.1	84.6	89.8	520
Total Debt / GDP	178.4	171.0	163.2	(780)
Trade Balance / GDP	(31.3)	(36.6)	(43.9)	(730)
Exports / Imports	24.3	23.8	21.6	(220)
Budget Revenues / GDP	19.4	23.6	24.4	80
Budget Expenditures / GDP	30.8	33.9	34.5	60
Budget Balance / GDP	(11.5)	(10.3)	(10.1)	20
Primary Balance / GDP	0.4	2.9	2.1	(80)
BdL FX Reserves / M2	65.6	59.6	68.9	930
M3 / GDP	234.4	243.2	238.4	(480)
Bank Assets / GDP	327.2	334.4	327.3	(710)
Bank Deposits / GDP	267.4	273.5	270.1	(340)
Private Sector Loans / GDP	67.4	72.2	86.9	1,470
Dollarization of Deposits	76.2	77.3	69.6	(770)
Dollarization of Loans	84.0	84.3	86.6	230

** Change in basis points 07/08*
(1) Based on Ministry of Finance Estimations and the International Monetary Fund
Source: Association of Banks in Lebanon, Byblos Research Calculations
Note: M2 includes money in circulation and deposits in LBP, M3 includes M2 plus Deposits in FC and bonds

Risk Outlook

Lebanon	July 2008	July 2009	Aug 2009	Change*	Risk Level
Political Risk Rating	57.0	57.5	57.5	▲	High
Financial Risk Rating	31.5	28.0	27.5	▼	High
Economic Risk Rating	28.5	30.0	27.5	▼	High
Composite Risk Rating	58.5	57.7	56.2	▼	High

Regional Average	July 2008	July 2009	Aug 2009	Change*	Risk Level
Political Risk Rating	65.6	65.1	65.1	▼	Moderate
Financial Risk Rating	41.2	41.6	41.7	▲	Very Low
Economic Risk Rating	39.8	34.4	34.3	▼	Moderate
Composite Risk Rating	73.3	70.5	70.5	▼	Low

**year-on-year*
Source: The PRS Group, Byblos Research
Note: Political & Composite Risk Ratings range from 0 to 100 (where 100 indicates the lowest risk)
Financial & Economic Risk ratings range from 0 to 50 (where 50 indicates the lowest risk)

Ratings & Outlook

Sovereign Ratings	Foreign Currency			Local Currency		
	LT	ST	Outlook	LT	ST	Outlook
Moody's	B2	NP	Stable			
Fitch	B-	B	Stable	B-		
S&P	B-	C	Stable	B-	C	Stable
Capital Intelligence	B	B	Stable	B	B	Stable

Source: Rating agencies

Banking Ratings	Banks' Financial Strength	Banking Sector Risk	Outlook
Moody's	D-		Stable
EIU		B	Stable

Source: Rating agencies

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